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TO AMEMBASSY QUITO IMMEDIATE

C O N F I D E N T I A L STATE 247224

TODEP 013

FOLLOWING REPEAT MADRID 7021 ACTION SECSTATE TUNIS
8 NOVEMBER.

QUOTE

C O N F I D E N T I A L MADRID 7021

PASS SECRETARY

E.O. 11652: GDS

TAGS: OVIP (KISSINGER, HENRY A.)

SUBJ: SECRETARY'S STOP AT TORREJON

1. FOLLOWING IS EMBASSY'S UPDATED SUMMARY OF CURRENT
POLITICAL, MILITARY AND ECONOMIC SITUATION FOR USE AS
POSSIBLE BACKGROUND FOR ANY DISCUSSIONS SECRETARY OR
SENIOR OFFICIALS MAY HAVE WITH SPANISH DURING TORREJON
STOP:

2. WHILE FRANCO SHOWS INCREASING SIGNS OF HAVING
REGAINED HIS HEALTH, HIS MID-SUMMER HEALTH CRISIS AND
SIMPLE FACT OF HIS 82 YEARS HAVE HEIGHTENED SENSE OF
UNCERTAINTY AND EXPECTATION OF CHANGE ON SPANISH
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POLITICAL SCENE, WHICH ALREADY TROUBLED BY INCIPIENT

ECONOMIC TURN-DOWN AND IMPLICATIONS OF REVOLUTION IN NEIGHBORING PORTUGAL. ASSUMPTION THAT END OF FRANCO ERA AT HAND HAS LED TO INTENSIVE ORGANIZING EFFORTS ACROSS POLITICAL SPECTRUM, INCLUDING EFFORTS BY COMMUNISTS IN SPAIN AND IN EXILE TO BRING MODERATE LEFT AND LIBERAL BOURGEOISIE INTO COALITION CAPABLE OF SHAPING POST-FRANCO SCENE.

3. PRIME MINISTER ARIAS' LIBERALIZATION PROGRAM ANNOUNCED FEBRUARY 12, ALTHOUGH MODEST IN OBJECTIVE, HAS PROVOKED STRONG POLITICAL COUNTERATTACK BY INFLUENTIAL AND ENTRENCHED RIGHT WING, WHICH HAS ADVANTAGES OF RELATIVE FREEDOM TO ORGANIZE AND SPEAK OUT AND AMPLE ACCESS TO FRANCO. RIGHTIST COUNTERATTACK LED TO LAST WEEK'S DISMISSAL BY FRANCO OF LIBERAL INFORMATION MINISTER PIO CABANILLAS FOR ALLEGEDLY PERMITTING ABUSES OF PRESS FREEDOM AND SUBSEQUENT PROTEST RESIGNATION BY LIBERAL FINANCE MINISTER BARRERA DE IRIMO. WHILE PRIME MINISTER HAS SINCE RECONFIRMED INTENTIONS TO GO AHEAD WITH LIBERALIZATION, HIS GOVERNMENT HAS LOST INITIATIVE AND HAS GONE ON DEFENSIVE AS RIGHT WING PRESSURES CONTINUE. FURTHER CABINET CHANGES CANNOT BE RULED OUT IN COMING MONTHS WHEN FUNDAMENTAL CHOICES ON LIBERALIZATION MUST BE MADE. DEPARTURE OF LIBERAL MINISTERS HAS SPARKED NUMBER OF RESIGNATIONS BY KEY SUB-CABINET LEVEL AIDES, HAS LED TO GREATER SKEPTICISM AMONG CHANGE-MINDED MODERATES ABOUT ULTIMATE WORTH OF LIBERALIZATION PROGRAM, AND HAS BEEN USED BY MORE RADICAL LEFT AND BY COMMUNISTS TO BUTTRESS ARGUMENTS THAT NO REAL CHANGE POSSIBLE IN A FRANCOIST SYSTEM THROUGH EVOLUTION.

4. IN FACE OF POLITICAL UNCERTAINTIES, MILITARY CONTINUES LOYAL TO FRANCO AND SEEMS FIRM IN SUPPORT OF ULTIMATE SUCCESSION OF JUAN CARLOS AND ACQUIESCENT IN MODERATE LIBERALIZATION. MILITARY SHOWS NO CURRENT SIGNS OF INFECTION FROM EXAMPLE OF PORTUGUESE ARMED FORCES AND MOST IRRITANTS UNDERLYING PORTUGUESE MILITARY MALAISE REMAIN ABSENT
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IN SPANISH ARMED FORCES. CONCERN IN OFFICER RANKS CONTINUES TO BE MORE TOWARD PROFESSIONALISM AND MODERNIZATION AND LESS TOWARD ANY POLITICAL WATCHDOG ROLE FOR ARMED FORCES; EXCEPT AS DEFENDERS OF CONSTITUTIONAL ORDER.

5. ECONOMICALLY, SPAIN STILL FARES SOMEWHAT BETTER THAN MOST OTHER OECD COUNTRIES IN CURRENT DOWN-TURN THOUGH JITTERINESS APPARENT. PROSPECTS ARE FOR

CONTINUED SLOW RISE IN UNEMPLOYMENT, INFLATION RATE IN EXCESS OF 18 PERCENT, AND SUBSTANTIAL DRAIN OF RESERVES (WHICH, HOWEVER, ARE STILL LARGE).

6. INDUSTRIAL SCENE PLAGUED BY MOUNTING STRIKES AND OTHER FORMS OF LABOR UNREST, WHICH EXPECTED TO PERSIST INTO 1975. WHILE STRIKES GENERALLY ERUPT FROM UNDERLYING ECONOMIC ISSUES SUCH AS RAPIDLY RISING LIVING COSTS AND GROWING WORKER FEAR OF UNEMPLOYMENT, THEY ARE OFTEN POLITICIZED BY CLANDESTINE LABOR GROUPS INCLUDING THOSE LED BY COMMUNISTS, GOVERNMENT-SPONSORED SYNDICAL ORGANIZATION HAS AGAIN DISPLAYED INABILITY TO RESOLVE SERIOUS LABOR CONFLICTS AND IS INCREASINGLY A TARGET FOR INFILTRATION AND SUBVERSION BY CLANDESTINE GROUPS.

7. FOREIGN POLICY. SPAIN'S MOST PRESSING CURRENT FOREIGN POLICY CONCERNS ARE PORTUGAL AND MOROCCO, BOTH OF WHICH SEEN AS HAVING POTENTIAL FOR SERIOUS THREAT TO PHYSICAL SECURITY OF SPANISH TERRITORY. GOS APPROACH ON PORTUGAL IS (1) TO WATCH SITUATION CAREFULLY IN CLOSE CONSULTATION WITH US AND MAJOR WESTERN EUROPEANS; (2) TO TAKE ADDED PRECAUTIONS OR PURELY DEFENSIVE CHARACTER AGAINST POSSIBLE SUBVERSIVE INTRUSION OR INFILTRATION FROM PORTUGAL; AND (3) TO MAINTAIN CORRECT RELATIONS WITH REVOLUTIONARY GOVERNMENT; RIGOROUSLY ABSTAINING FROM INVOLVEMENT IN INTERNAL PORTUGUESE MATTERS, POLICY WHICH REPORTEDLY ORDAINED BY FRANCO HIMSELF.

8. IN SAHARA, SPANISH OBJECTIVES ARE TO FIND FACE-SAVING AND PREFERABLY GRADUAL WAY OF WITHDRAWAL THAT WILL GUARANTEE RETENTION OF BASIC SPANISH INTERESTS AND CONFIDENTIAL

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PRESERVE PEACE IN REGION. OVERRIDING GOS INTEREST IS TO AVOID ARMED CONFLICT WITH MOROCCANS, WHICH IT IS FEARED WOULD CREATE UNPOPULAR DOMESTIC ISSUE AND POSSIBLY STIR UNPREDICTABLE MOVEMENTS WITHIN ARMED FORCES AT TIME WHEN INTERNAL POLITICAL BALANCE ALREADY THREATENED. WE EXPECT SPANISH TO CONTINUE PRESSING FOR ADHERENCE TO UN'S 1973 FORMULA FOR SELF-DETERMINATION, BUT TO ACQUIESCE IN ANY UN DECISION TO REFER TO DISPUTE TO ICJ FOR ADVISORY RULING.

9. INTENSIVE PRESS AND PUBLIC ATTENTION GIVEN OPENING SESSION THIS WEEK OF BASE NEGOTIATIONS LEAVES LITTLE DOUBT THAT CONTINUATION OF US-SPANISH DEFENSE COOPERATION WILL RANK AMONG MAJOR FOREIGN POLICY ISSUES. VIRTUALLY ALL EDITORIAL COMMENT AND ANALYSES BY FORMER

FOREIGN MINISTERS AND AMBASSADORS TO US, WHETHER FOR
OR AGAINST PRINCIPLE OF DEFENSE COOPERATION, HAVE
CALLED FOR BASIC POLITICAL CHANGES IN NEXT AGREEMENT.
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